LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6655 | **NOTE PREPARED:** Jan 3, 2012
BILL NUMBER: SB 387 | **BILL AMENDED:**

SUBJECT: Property Tax Reduction for Timely Payments.

FIRST AUTHOR: Sen. Young R | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** | **IMPACT:** Local
DEDICATED
FEDERAL

Summary of Legislation: This bill provides a property tax credit to a real property owner that consistently pays real property taxes in a timely manner for the same property. It provides a credit for one year of 10% after five years of ownership and timely payments, 15% after 10 years, and 20% after 20 years. It specifies that 2013 is the first year that may be used toward the consecutive year requirement.

Effective Date: January 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of Local Revenues.*

Explanation of Local Revenues: Under this bill, beginning in 2013, if an owner of real property pays property taxes on time for five consecutive years, the owner would receive a 10% credit on the property tax bill in the sixth year; if the owner pays property taxes on time for 10 consecutive years, the owner would receive a 15% credit in the 11th year; for 20 consecutive years, the owner would receive a 20% credit in the 21st year. After 20 years, the credit expires, and the time period for the taxpayer begins once again at zero.

This bill becomes effective in 2013. As a result, the county would begin to pay the credits in 2018 and could make some amount of payments annually after that. In 2023, the payments for those taxpayers who have made timely payments for 10 consecutive years would begin; in 2033 the payments for those taxpayers who have made timely payments for 20 consecutive years would begin.

The amount of credits to be paid in any one year and the subsequent loss of revenues for local taxing units is indeterminable at this time. However, each year that credits are paid to taxpayers would result in a reduction of local revenue. Between 2013 and 2017, there would be no fiscal impact. The fiscal impact in 2018 and after would depend on the number of cohorts, the number of taxpayers in each cohort, and the tax liability of each member. Ultimately, this would impact each county differently.

Background Information: In the long run, the bill would divide taxpayers into several cohorts, each lasting up to 20 years after which the time period for the cohort would be reset to zero. The first cohort would begin in 2013 when the bill becomes effective and would comprise every real property taxpayer. Theoretically, all taxpayers could remain in this cohort as long as they all remain the owner of their property and make their property tax payments on time. At the 5-, 10-, and 20-year points, they would be eligible for the tax credit to be applied to taxes due the following year (2018, 2023, and 2033, respectively).

For example, if one assumes that the total statewide tax bill for these years is the same as for 2011, the potential credit in 2018 would be $517 M ($5,172 M *10%); in 2023 the potential credit would be $776 M ($5,172 M *15%); in 2033 the total potential credit would be $1,034 M ($5,172 M *20%). Under this scenario, no credits would have to be paid in the intervening years (years 7 to 10; 12 to 20, etc.) except for those taxpayers who become delinquent or the property changes ownership. The maximum total statewide credits paid to members of this cohort over its 20-year life span would be approximately $2,327 M. Total local revenues would be reduced by this amount.

State Agencies Affected:

Local Agencies Affected: Local taxing units; county auditors, county treasurers.

Information Sources: Cindy Land, Marion Count Treasurer's Office, 317-317-4038; *Indiana Handbook of Taxes, Revenues, and Appropriations*.

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